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## Owners and managers in an economic crisis: how to exploit the differences

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### Abstract

The purposes of this study are: to analyze the differences between owners and managers of Small and Medium Enterprises (SMEs) concerning perception of stress levels, coping strategies and work values; and to identify necessary guidance instruments to help these enterprises in decision-making during a crisis. The research also had the objective of analyzing these differences in diverse (stable and unstable) relational contexts so as to identify salient characteristics and potential paths of development. The method uses qualitative (in-depth interviews) and quantitative instruments (a standardized questionnaire to measure stress - Occupational Stress Indicator - and the values related to work - Work Importance Study/Work Values Scale: Sirigatti, Stefanile, 2002; Trentini *et al.*, 1999).

The final output is a guidance method that permits business consultants to help management in SMEs.

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**Keywords:** stress, coping strategies, economic crisis, work values, family business, entrepreneurship.

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### 1. Introduction

The recent economic crisis has produced an increased strain on companies and owners and managers live under a constant pressure. The decisions taken in these circumstances require strong collaboration in management processes in order to put them into action, more so than in other periods.

In this context, behaviours are seen that vary greatly between the different companies. How is it possible that similar companies in the same sector/market perceive the situation in such different ways? Why do they react in ways that are totally different? Is the crisis simply weakening companies or is it orienting them towards new types of strategies and structures?

The present research is trying to provide a contribution to these questions. Undoubtedly, company history, patrimony and economic standing with which the different companies confronted the crisis can explain some of the differences. However, an economic explanation is not enough. Different comparative studies based on economic and market parameters carried out on the sector did not reveal much correlation between a company's patrimony and its capacity to confront a crisis.

It must be added that the crisis was widely predicted by the markets, although not in intensity and the extent to which it spread. Most of the companies more or less had enough time to get ready. Moreover, in the past few years,

entrepreneurs and managers have already had to deal with other economic crises and therefore had already put into place and consolidated their strategies in order to get through difficult economic times.

Therefore, what are the factors which can help us to understand such widely different responses?

In order to answer such questions, selected theoretical paradigms and analytical instruments from organizational sciences can be of use. In fact, it is possible through the use of standardized instruments to measure levels of perception of stress (Cooper and Marshall; 1976) caused by the crisis, satisfaction with work and coping strategies (Costa, Somerfield, McCrae 1996; Cooper, 1979; Lazarus, 2000) activated by the different agents involved. It is also possible to show the role carried out by work values (Super, 1995; Super and Sverko, 1995; Schwartz 1992) in mediating and/or orienting individual and collective resources in order to respond to the situation. And finally, it is possible to analyze the role of relational dynamics through more qualitative methods. Apart from helping us to understand the situation and to answer some of our questions, these instruments can also become significant instruments of orientation and counselling.

## **2. Purpose of Study**

The present research centred its attention on the different response capacities of the companies involved. Research focused on a sample of companies operating in economic sectors (textiles, mechanical and construction) that were widely hit by the economic crisis.

The companies have been divided up into two groups: those with a stable management, and those with a management that is changing. The former refers to companies that have not altered their managerial/entrepreneurial structure much in the last 8 years, whereas the latter category refers to companies that have significantly changed their management set-up in the last 3 years. These are companies that have either been bought out or have sold off branches of the company, or that have seen their corporate structure change, or that have changed their management staff. In other terms, we wanted to try and compare companies with a history of stability in their internal relationships between entrepreneur and managers to those companies in which changes to organization and management and market changes have interacted. The hypothesis taken under consideration in the comparison between the two groups is obviously that between companies with a stable framework which have already established collective management strategies for the crisis and those companies with an unstable set-up must create their own collective coping style.

Entrepreneurs and managers from all companies were involved and their perception of the risk of stress (Favretto, 1994), job satisfaction, individual coping strategies and work values have been analyzed, along with interaction between individual styles and group strategies.

## **3. Methodology**

### *3.1. Sample*

The sample includes 78 entrepreneurs (52 males and 26 females), and 112 managers (93 males and 19 females) working in small and medium sized companies in northern Italy which experienced more than a 30% decrease in turnover during 2009. In order to carry out a qualitative investigation of the relational dynamics between entrepreneurs and managers, 36 pairs of entrepreneurs and managers who work together in the same company were interviewed.

### *3.2. Research Instruments*

The following instruments were used with entrepreneurs and managers:

- A perception scale of stress and a job satisfaction scale both coming from the Occupational Stress Inventory (Cooper, Sloan and Williams, 1988; Italian version: Sirigatti and Stefanile, 2002).

- COPE NVI- Coping Orientation of Problems Experienced (Carver, Scheier and Weintraub, 1989; Italian version: *di Sica ed altri*, 2008)
- WIS, Work Importance Study (Super, 1986; Italian version: Trentini, Bellotto and Bolla, 1999)

The smaller sample of 36 pairs of entrepreneurs and managers participated in individual semi-structured interviews in order to analyze relational dynamics between entrepreneurs and managers, and the changes caused by the crisis.

### 3.3. Data Analysis

Variance analysis of two criteria (stable companies and those undergoing change; entrepreneurs and managers) were used and both the main effects and the effects of interaction between the variables were analyzed.

## 4. Results

The results highlighted significant differences attributable to group affiliation (stable companies and companies undergoing change; entrepreneurs and managers) concerning perception of stress and job satisfaction, coping strategies and value orientations.

Table 1. Variance Analysis for Two Criteria –Stable Companies - Companies Undergoing Change; Entrepreneurs-Managers

Groups	Stable Companies	Companies Undergoing Change	F	Entrepreneurs	Managers	F
Perception of stress						
- Intrinsic job factors	34.06	35.86	**	39,56	32,25	***
- Managerial role	43.13	45.34	***	45,45	44,29	
- Relationships with other people	39.29	43.34	***	38,23	43,26	***
- Career and success	32.43	35.12	***	31,12	35,22	***
- Org. climate and structure	45.66	48.67	***	44,45	49,21	***
- Home/Work interface	42.12	41.87		42,06	42,18	
Job satisfaction	85.87	81.32	***	83.18	82.95	
Coping Strategies						
- Social Support	29.93	26,43	***	23.63	27.7	***
- Avoidance strategies	22.54	23,12		23.31	23.5	
- Positive attitude	31.16	31,10		33.25	29.9	***
- Problem orientation	35.16	33,12	***	35.54	32.0	***
- Transcendent Orientation	21.91	22,01		22.91	22.7	
Value Orientations						
- Materialistic	4,12	3,80	**	3.16	4.54	**
- Self	6,88	6,91		6.04	6.16	
- Others	4,78	4,58	**	4.10	4.84	
- Independence	5.30	5.32		5.32	5.07	
- Challenge	6.01	5.35	**	6.86	5.20	**

F-test significance \*  $p < .05$ ; \*\*  $p < .01$ ; \*\*\*  $p < .001$ .

### 4.1. Companies with Stable Management and Companies Undergoing Change.

Stable companies are characterized by a low perception of stress and a higher job satisfaction. The people who work in these companies choose coping strategies directed at problem solving and social support, and they

concentrate their attention on value orientations (intended as objectives and goals) that focus on relationships with others.

The people who work in companies undergoing management change perceive a higher level of stress and lower job satisfaction. They use a wider range of coping strategies and choose value orientations related to challenge.

The difference in standard deviations between stable companies and companies undergoing change with regards to stress and job satisfaction highlights how companies undergoing change tend to polarize the effects of the crisis.

The semi-structured interview highlighted how entrepreneurs and managers in stable companies made use of the crisis to rethink and rediscover those shared values and strategies already experimented with in the past. In this way they are better able to alleviate the effect of the crisis, reduce perception of stress and keep job satisfaction high by transforming coping strategies into work values and shared goals.

Companies undergoing change are more vulnerable to crisis and experiment with different coping strategies that are filtered and directed toward the value of challenge. These companies tend to polarize their own perceptions of stress and satisfaction. In some cases, vicious circles develop in which the challenge orientation brings the group together. In other cases, vicious circles tend to weaken the companies over time. The semi-structured interviews allowed us to investigate these relational dynamics in-depth to show that these management groups require an enormous amount of energy that is, however, made up for by a greater creative decision-making effort. The interviews also highlighted that even in an successful outcome the need to consolidate relationships through a deeper restoration of a sense of belonging and trust comes through strongly. In those cases where companies polarize negatively, there is a strong desire towards emotional slackening and distancing from the situation.

#### *4.2. Entrepreneurs and Managers During the Crisis*

The analysis of differences between entrepreneurs and managers highlights an elevated level of complementariness among professional profiles. During crisis, entrepreneurs feel greater stress from the intrinsic pressure of their jobs and associated responsibilities of survival and the company's development. Crisis presents an occasion to strengthen one's value orientation towards challenge. Economic results and the tangibility of the results (synthesized in the materialistic value orientation) are not important goals for the entrepreneur. Coping strategies of entrepreneurs are also much more directed at problem solving, and above all, at having a positive attitude to life.

The semi-structured interviews confirm data from the questionnaire. Having a sense of challenge in confronting the crisis seems to be the motivating factor of entrepreneurial behaviour. This challenge is supported by optimism for the future, and the will to understand the concrete issues through immersing themselves in the daily problems. Disinterest, in the short period, in economic results of one's job, permits them "to hold their breath" even for longer periods.

For their part, managers feel a greater deal of relational pressure and that of the internal environment. This perception is coherent with a value orientation that focuses more on others and on the use of coping strategies related to social support. A higher materialistic orientation would seem to indicate that managers are more interested in shorter term objectives.

The semi-structured interviews confirm the importance of managerial roles in alleviating and modulating the effect of the crisis on internal dynamics. These interviews also highlight the greater awareness of this role by both the managers themselves and the entrepreneurs.

Generally speaking, the crisis increased awareness among entrepreneurs and managers of their respective roles and the complementary nature of their differences.

### **5. Final Considerations**

In extreme synthesis, stable companies were better able to modulate the effect of the crisis. They are characterized by a lower perception of the crisis and have a higher level of job satisfaction and ability to restore and consolidate coping strategies in order to direct resources towards common goals. The entrepreneurial role tends to be defined by a positive attitude while that of the managers is a role of relational mediation. Instead, companies undergoing change are characterized by a greater polarization of both positive and negative results and require more

than the former to work on consolidating relationships. In fact, in these companies, coping strategies remain individualistic and do not have much resonance at a group level. Challenge and creativity are the preferred resources.

In all companies, crisis generates an intensifying of relationships between entrepreneurs and managers which tends to give value to the differences and leads to both a desire and a need to rethink relational dynamics.

The research results permit us to hypothesize that a path of organizational coaching which is directed at a shared discussion of the different perceptions of stress and satisfaction, and valorization of value differences and of coping strategies, and above all, which is directed at consolidating those dominant values and objectives that come out at a group level in a time of crisis.

The research seems to identify three potential paths:

- consolidating stable companies;
- creating a sense of belonging and trust in companies undergoing change who are “winning” psychologically with creativity and a sense of challenge towards the crisis;
- focusing on the emotional slackening and distancing effect of tensions in companies undergoing change and that are particularly hit by the crisis.

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